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Prioritize Protecting, Low-Income Families, Benefits from Theft and Guarantee Timely Reimbursement for Victims

Position Statement Supporting Senate Bill 401

Submitted to the Senate Finance Committee

A growing number of low-income Marylanders who rely on the Supplemental Nutritional Assistance Program (SNAP) to purchase food are reporting that funds are being stolen from the Electronic Benefit Transfer (EBT) cards they use to buy food. Most of these funds are stolen by criminals who use skimming devices, which they install in processing machines at stores, to clone data encoded on the cards. The theft of these funds can be devastating for families and individuals who are often left to choose between forgoing meals or cutting back drastically on what they can eat. To make matters worse, even when they report the theft and inform the Department of Human Services (DHS), they are told they cannot be reimbursed. **The Maryland Center on Economic Policy supports Senate Bill 401 because it will ensure that benefits are protected from theft and victims are promptly reimbursed.**

Between January and November 2022, there were 1,413 reported incidents of EBT fraud, a significant increase from just 137 incidents in 2021. By September of last year, about 360 Maryland households reported that their benefits had been stolen. The theft rising to more than a million dollars in stolen benefits in 2022 compared to just \$92,000 in reported losses the previous year. While this is a loss to the state, it's an even bigger loss for the victims who rely on those stolen funds as their main means to purchase food. They are left in distress having to choose between hunger or forgoing other basic necessities. When they report the theft to DHS, victims have been told that their stolen benefits cannot be restored, this at a time when they state has a record budget surplus. Even when they seek help from law enforcement, it can be a lengthy process, something families and individuals in need of immediate assistance cannot afford to be mired in.

SB 401 will require local department of social services to maintain a secure EBT card system that protects personal identifying information and benefits from unauthorized access, use and disclosure; monitor EBT card activity for suspicious or fraudulent activity on an ongoing basis; notify a household promptly of any suspicious card activity or if any personal identifying information is stolen or compromised; include an embedded microchip in all EBT cards issued on or after October 1, 2023; on or before October 1, 2023, require all retailers accepting EBT cards in the state to upgrade their pay systems to technology that allows the use of EBT cards with embedded microchips; and implement settings on EBT cards that would: send a household an immediate text alert after each EBT card transaction; allow a household to prohibit an electronic benefits

transfer card from being used during certain hours. The bill also entitles households to have their stolen benefits restored. If a local department is aware of a household's entitlement to the restoration of benefits, the local department would automatically restore the benefits without requiring further action from the household within two days of the household informing the local department of the loss or theft of benefits. SB 401 will prevent local departments from requiring a household to provide a police report as a condition of restoration of benefits; or limit the number of months in which a household can receive restoration of benefits lost due to theft. The bill also requires that the department collect and provide certain outlined data.

More than 800,000 Marylanders participate in SNAP, it is important to ensure that the benefits they, and other social safety net recipients, obtain are secure and safe from theft. When they are victims of theft, the state should take immediate steps to restore those stolen funds. This is not an issue that is unique to Maryland but Maryland as a state with nearly \$2 billion surplus can afford to restore stolen benefits. California, Michigan, Rhode Island, Wisconsin and Washington, DC, are states that are already using state funds to reimburse theft victims. Maryland should join them and also participate in the new federal mandate that allows states to use federal money to reimburse SNAP recipients whose benefits were stolen through electronic card fraud. The mandate requires states to replace EBT card benefits that were stolen after October 1, 2022 through September 2024.

At a time of high inflation, low-income Marylanders who rely on SNAP benefits to put food on the table, cannot afford to lose those benefits to criminals and then have no recourse when they seek reimbursement from the State. These funds are meant to help struggling individuals and families meet some of their basic needs, making sure they are secure not only benefits them but the state as well.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Finance Committee make a favorable report on Senate Bill 401.

Equity Impact Analysis: Senate Bill 401

Bill summary

Senate Bill 401 ensures that the funds SNAP recipients receive are secure and safe from criminals. The Bill requires more protective measures be taken to secure EBT cards from skimming and other vulnerabilities to theft. It requires prompt reimbursement of stolen funds for victims.

Background

Currently, an increasing number of Marylanders who receive SNAP benefits report that funds are being stolen from the EBT cards. Between January and November 2022, there were 1,413 reported incidents of EBT card fraud, a more than 900% surge from just 137 incidents in 2021. The theft cost more than a million dollars in losses last year, a significant increase from just \$92,000 in 2021. Victims when they report the theft of their benefits are told by DHS, they cannot be reimbursed ¹.

Equity Implications

- Black and Latinx households are far more likely than white households to earn poverty-level wages and are therefore more likely to qualify for safety-net benefits. While state and federal safety-net benefits serve a larger number of white households than households in any other racial or ethnic group, they serve a larger proportion of people of color.
- Social safety nets also have a disproportionate positive impact in reducing poverty rates among households of color.²

Impact

Senate Bill 401 would likely **improve racial and economic equity** in Maryland.

¹ Steven Ruggles, Sarah Flood, Ronald Goeken, Megan Schouweiler and Matthew Sobek. IPUMS USA: Version 12.0 [dataset]. Minneapolis, MN: IPUMS, analysis from 2021 American Community Survey, Public Use Microdata Sample (PUMS)

² Danilo Tirisi and Matt Saenz “Economic Security Programs Reduce Overall Poverty, Racial and Ethnic Inequities,” Center on Budget and Policy Priorities, Jul. 1, 2021. <https://www.cbpp.org/research/poverty-and-inequality/economic-security-programs-reduce-overall-poverty-racial-and-ethnic>